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TRAL ARIZONA PROJECT

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Arizona Corporation Commission

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JAN 31 2002

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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Dear Mr. Johnson:

Re: Commission's Ten-Year Plan Process for Transmission Expansion

This letter is being submitted to the Arizona Corporation Commission as notice of the Central Arizona Water Conservation District's (District) interest in acquiring additional transmission assets to support the operations of the Central Arizona Project (CAP). This submission is in accordance with the recommendation of Mr. Jerry Smith, with the Commission's Staff, who met with the District to discuss its transmission interest.

A principal purpose of the CAP is to provide a reliable and cost effective means of delivering Colorado River water to central Arizona. The CAP aqueduct begins at Lake Havasu on the Colorado River and extends to a point just south of Tucson. Water traversing the entire 335 mile journey is lifted, in total, almost 3,000 feet. To accomplish this feat the CAP has 15 pumping plants which require approximately 460 megawatts of capacity at peak.

In addition to the aqueduct, the CAP includes significant generation and transmission assets. These assets include a 24.3 percent interest in the Navajo Generating Station (NGS) near Page, Arizona, and rights on the Navajo 500kV transmission facilities connecting the NGS to the Westwing substation, in northwestern Phoenix, and the McCullough substation, in southern Nevada. Additional rights are held in 230kV lines running from McCullough south along the Colorado River to Parker, Arizona, and then east to the Liberty substation, in southwestern Phoenix. Unfortunately, when the Bureau of Reclamation planned and constructed the CAP it left some significant holes in the project's transmission system. By not completing the transmission system, CAP operations are threatened by the uncertainty of future transmission availability and pricing. It is in an effort to "fill in" these holes, and eliminate the associated operational and financial risks, that the District is seeking the right to participate in the Commission's planning process for transmission expansion.

Mr. Ernest G. Johnson
January 31, 2002
Page 2 of 2

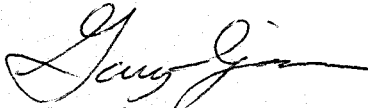
Of specific interest to the District is the right to participate in transmission projects which provide for additional capacity between the Westwing and Pinnacle Peak substations, and the Westwing and Liberty substations. Interest also exists in rights, both east and west, out of Palo Verde/Hassayampa. This interest is due to the ongoing need to purchase energy on the market as a result of the CAP's electrical requirements exceeding its generation resources. With the NGS expected to be decommissioned in 2024 these market purchases should increase substantially in the future. Additional interest exists in transmission projects connecting to ED-2, Saguaro, or Rattlesnake substations.

To date the District has met with representatives from Arizona Public Service (APS) to discuss participation in their proposed projects between Westwing, Pinnacle Peak and Liberty. These meetings are ongoing. The District has also met with the Salt River Project (SRP) in an effort to coordinate the District's transmission needs with SRP expansion plans. These meetings are ongoing. District representatives are also participating in the Central Arizona Transmission Study group's (CATS) proceedings and intend to also join the Western Arizona Transmission Study group (WATS). Although these regional forums may afford the District an opportunity to satisfy its Palo Verde/Hassayampa and south of Phoenix needs, they cannot address its needs around the Phoenix metro area.

The District's desire is for an ownership in the projects, rather than a contractual right, due to the expectation that the need will exist for the life of the transmission project. In fact, it is the intent of the District to maintain the CAP such that its expected life exceeds that of the normal transmission line.

In conclusion, the District is seeking the Commission's and Siting Committee's assistance in ensuring that it is afforded an opportunity to participate in proposed transmission projects associated with the areas previously mentioned. The purpose of this participation is to complete the transmission system required for reliable and cost effective delivery of water over the CAP. Your assistance in this endeavor will be greatly appreciated.

Sincerely,


Gary Ijams
Power Program Manager

cc: John D. Newman